

INTERIM REPORT **AT MARCH 31, 2017**

Approved by the Board of Directors
on April 20, 2017



Saipem: results for the first quarter of 2017, guidance for 2017 is confirmed

San Donato Milanese, April 21, 2017 - The Board of Directors of Saipem S.p.A., chaired by Paolo Andrea Colombo, yesterday approved the Saipem Group's Interim Report at March 31, 2017¹, and confirmed guidance expectations for 2017.

Results for the first quarter of 2017:

- Revenues: €2,263 million (€2,840 million in the first quarter of 2016)
- Adjusted EBITDA: €256 million (€314 million in the first quarter of 2016)
- Adjusted operating profit (EBIT): €122 million (€142 million in the first quarter of 2016)
- Operating profit (EBIT): €112 million (€142 million in the first quarter of 2016)
- Adjusted net profit: €54 million (€61 million in the first quarter of 2016)
- Net profit: €47 million (€61 million in the first quarter of 2016)
- Capital expenditure: €83 million (€45 million in the first quarter of 2016)
- Net debt at March 31, 2017: €1,605 million (€1,450 million at December 31, 2016)
- New contracts: €509 million
- Backlog: €12,465 million

2017 Guidance is confirmed

- Revenues: ~€10 billion
- EBITDA: ~€1 billion
- Net profit: > €200 million inclusive of reorganization expenses of approximately €30 million)
- Capital expenditure: ~ €0.4 billion
- Net debt: ~€1.4 billion

Stefano Cao, Saipem CEO, commented:

"Q1 2017 has been a quarter of reliable delivery, despite markets that remain tough. We continue to reinforce the business and to position Saipem for future opportunities. We have strengthened the capital structure, and our new organisational structure will be fully operational during the second quarter. Conditions are demanding, but our company is on track".

¹ Not subject to audit

Financial highlights

(€ million)

	Q1 2016	Q4 2016	Q1 2017	Q1 2017vs Q1 2016 (%)
Revenues	2,840	2,091	2,263	(20.3)
Adjusted EBITDA	314	269	256	(18.5)
Adjusted operating profit	142	103	122	(14.1)
Operating profit	142	1	112	(21.1)
Adjusted net profit	61	26	54	(11.5)
Net profit	61	(162)	47	(23.0)
Adjusted cash flow (adjusted net result + depreciation and amortisation)	233	192	188	(19.3)
Free cash flow	(88)	274	(161)	83.0
Net financial position	2,040	1,450	1,605	(21.3)
Capital expenditure	45	129	83	84.4
New contracts	1,025	1,722	509	(50.3)

Revenues and associated profit levels are not consistent over time, as they are influenced not only by market performance but also by climatic conditions and individual project schedules in the Engineering and Construction sector, and by contract expiry and renegotiation timing in the Drilling sector.

Business update for the first quarter of 2017

Revenues amounted to €2,263 million, a decrease of 20.3% compared to the first quarter of 2016, mainly due to a contraction in Offshore E&C and Drilling sectors.

Adjusted EBITDA for the quarter amounted to €256 million (€314 million in the first quarter of 2016), with stable contributions from the Offshore and Onshore Engineering & Construction Business Units, and a decrease in the Offshore Drilling BU, which in the first quarter of 2016 had largely benefitted from long-term contracts acquired at more favourable market rates; Onshore Drilling was affected by reduced activities in South America.

Adjusted net profit for the first quarter of 2017 amounted to €54 million, compared to €61 million in the first quarter of 2016.

Net profit for the quarter amounted to €47 million (€61 million in the first quarter of 2016), inclusive of net reorganisation expenses of €7 million.

Capital expenditure in the first quarter of 2017 amounted to €83 million (€45 million in the first quarter of 2016), broken down as follows:

- €18 million in the Offshore Engineering & Construction sector;
- €39 million in the Offshore Drilling sector;
- €26 million in the Onshore Drilling sector.

Net financial debt at March 31, 2017 amounted to €1,605 million, a €155 million increase on December 31, 2016 (€1,450 million), due to a variation in working capital.

Backlog

In the first quarter of 2017, Saipem was awarded contracts amounting to €509 million (€1,025 million in the first quarter of 2016). Saipem's backlog at March 31, 2017 stood at €12,465 million (€6,298 million in Offshore E&C, €3,926 million in Onshore E&C and €2,241 million in Drilling), of which €5,667 million is due to be realized in 2017.

This press release should be read in conjunction with the condensed interim consolidated financial statements at June 30, 2016 and the statutory and consolidated financial statements at December 31, 2016 of Saipem S.p.A., which are already available on the Company's website (www.saipem.com) under the section "Investor Relations - Financial Information".

Saipem's Planning, Administration and Control Officer, Mr. Mariano Avanzi, in his capacity as manager responsible for the preparation of the Company's financial reports, certifies, pursuant to article 154-bis paragraph 2 of Legislative Decree no. 58/1998, that accounting data corresponds to the Company's documents and accounting books and entries.

By their nature, forward-looking statements are subject to risk and uncertainty since they are dependent upon circumstances which should, or are considered likely to, occur in the future and are outside of the Company's control. These include, but are not limited to: monetary exchange and interest rate fluctuations, commodity price volatility, credit and liquidity risks, HSE risks, the level of capital expenditure in the oil and gas industry and other sectors, political instability in areas where the Group operates, actions by competitors, success of commercial transactions, risks associated with the execution of projects (including ongoing investment projects), in addition to changes in stakeholders' expectations and other changes affecting business conditions. Actual results could therefore differ materially from the forward-looking statements. The financial reports contain in-depth analyses of some of the aforementioned risks. Forward-looking statements are to be considered in the context of the date of their release.

Conference call and webcast

The results contained in this press release will be illustrated in a conference call and webcast which will be hosted by CEO Stefano Cao today at 9.00 pm CEST (8.00 am BST, 3.00 am EDT, 00.00 am PDT). The conference call can be followed on Saipem's website www.saipem.com by clicking on the "webcast banner" on the home page, or through the following URL: <http://edge.media-server.com/m/p/b76fk9vx>

During the conference call and webcast, a presentation will be given which will be available for download from the webcast window and from the "Investor Relations/Financial Information" section on Saipem's website www.saipem.com around 30 minutes before the scheduled start time. This presentation will also be available for download from the authorized storage device "eMarketSTORAGE" (www.emarketstorage.com) and Borsa Italiana S.p.A (www.borsaitaliana.it).

Saipem is one of the world leaders in drilling services, as well as in the engineering, procurement, construction and installation of pipelines and complex projects, onshore and offshore, in the oil & gas market. The company has distinctive competences in operations in harsh environments, remote areas and deepwater. Saipem provides a full range of services with "EPC" and "EPCI" contracts (on a "turn-key" basis) and has distinctive capabilities and unique assets with a high technological content.

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Analysis by business sector - Adjusted results:

Engineering & Construction: Offshore

	(€ million)			
	Q1 2016	Q4 2016	Q1 2017	Q1 2017 vs Q1 2016 (%)
Revenues	1,608	1,134	1,205	(25.1)
Expenses	(1,480)	(1,003)	(1,079)	(27.1)
Adjusted EBITDA	128	131	126	(1.6)
Depreciation	(61)	(62)	(63)	3.3
Adjusted operating profit	67	69	63	(6.0)
Adjusted EBITDA %	8.0	11.6	10.5	
Adjusted EBIT %	4.2	6.1	5.2	
New contracts	358	1,236	355	

Backlog at March 31, 2017: €6,298 million, of which €2,670 due to be realised in 2017.

- Revenues for the first quarter 2017 amounted to €1,205 million, down by 25.1% compared to the first quarter of 2016. This was mainly attributable to lower volumes recorded in Kazakhstan, Central South America and West Africa, which was partly offset by higher volumes registered in North Africa.
- Adjusted EBITDA for the first quarter of 2017 amounted to €126 million, equal to 10.5% of revenues, compared to €128 million, equal to 8.0% of revenues, in the first quarter of 2016. The increase is due mainly to higher operational efficiency and reduced vessel idle time.

Engineering & Construction: Onshore

(€ million)

	Q1 2016	Q4 2016	Q1 2017	Q1 2017 vs Q1 2016 (%)
Revenues	830	645	772	(7.0)
Expenses	(809)	(633)	(749)	(7.4)
Adjusted EBITDA	21	12	23	9.5
Depreciation	(11)	(9)	(8)	(27.3)
Adjusted operating profit	10	3	15	50.0
Adjusted EBITDA %	2.5	1.9	3.0	
Adjusted EBIT %	1.2	0.5	1.9	
New contracts	649	231	82	

Backlog at March 31, 2017: €3,926 million, of which €2,291 due to be realised in 2017.

- Revenues for the first quarter of 2017 amounted to €772 million, down by 7.0% compared to the first quarter of 2016, due mainly to lower volumes recorded in West Africa and the Americas, partly offset by higher volumes recorded in the Middle and Far East.
- Adjusted EBITDA for the first quarter of 2017 amounted to €23 million, equal to 3.0% of revenues, compared to €21 million in the first quarter of 2016, equal to 2.5% of revenues.

Drilling: Offshore

(€ million)

	Q1 2016	Q4 2016	Q1 2017	Q1 2017 vs Q1 2016 (%)
Revenues	243	183	162	(33.3)
Expenses	(125)	(88)	(86)	(31.2)
Adjusted EBITDA	118	95	76	(35.6)
Depreciation	(55)	(50)	(30)	(45.5)
Adjusted operating profit	63	45	46	(27.0)
Adjusted EBITDA %	48.6	51.9	46.9	
Adjusted EBIT %	25.9	24.6	28.4	
New contracts	-	22	34	

Backlog at March 31, 2017: €1,113 million, of which €359 due to be realised in 2017.

- Revenues for the first quarter of 2017 amounted to €162 million, representing a 33.3% decrease compared to the first quarter of 2016, mainly attributable to reduced revenues from the semi-submersible rig Scarabeo 9, which underwent class reinstatement works in the quarter, and from the semi-submersible Scarabeo 7, which was temporarily contracted out at stand-by rate. The decrease in revenues was slightly offset by increased revenues from the full-scale operations of the jack-up Perro Negro 5, which had undergone upgrading works in the first quarter of 2016.
- Adjusted EBITDA for the first quarter of 2017 amounted to €76 million, compared to €118 million in first quarter of 2016, with a margin on revenues of 46.9%, approximately 2% lower than in the first quarter of 2016, due to the above and to reduced revenues from rigs that had not been under contract. The decrease was partly offset by the increased contribution of the jack-up Perro Negro 5 (which had undergone upgrading works in the first quarter of 2016).

Vessel utilisation in the first quarter of 2017 and the impact of programmed maintenance and idle days in 2017 are as follows:

<i>Vessel</i>	<i>Q1 2017</i>			<i>2017</i>	
	<i>Under contract</i>	<i>idle</i>		<i>idle</i>	
	<i>(days)</i>			<i>(days)</i>	
Semi-submersible rig Scarabeo 5	90	-		-	
Semi-submersible rig Scarabeo 6	-	90	(c)	365	(c)
Semi-submersible rig Scarabeo 7	90	-		-	
Semi-submersible rig Scarabeo 8	90	-		-	
Semi-submersible rig Scarabeo 9	-	90	(a)	90	(a)
Drillship Saipem 10000	90	-		-	
Drillship Saipem 12000	90	-		-	
Jack up Perro Negro 2	12	78	(c)	353	(c)
Jack up Perro Negro 3	-	90	(c)	365	(c)
Jack up Perro Negro 4	34	56	(a)	117	(a)
Jack up Perro Negro 5	90	-		-	
Jack up Perro Negro 7	90	-		-	
Jack up Perro Negro 8	90	-		263	(c)
Tender Assisted Drilling Barge	63	27	(a)	27	(a)

(a) = the vessel underwent/shall undergo class reinstatement works and/or preparation works for a new contract.

(b) = the vessel underwent maintenance works to address technical problems.

(c) = the vessel was not/will not be under contract.

Drilling: Onshore

(€ million)

	Q1 2016	Q4 2016	Q1 2017	Q1 2017 vs Q1 2016 (%)
Revenues	159	129	124	(22.0)
Expenses	(112)	(98)	(93)	(17.0)
Adjusted EBITDA	47	31	31	(34.0)
Depreciation	(45)	(45)	(33)	(26.7)
Adjusted operating profit	2	(14)	(2)	ns
Adjusted EBITDA %	29.6	24.0	25.0	
Adjusted EBIT %	1.3	-10.9	-1.6	
New contracts	18	233	38	

Backlog at March 31, 2017: €1,128 million, of which €347 million due to be realised in 2017.

- Revenues for the first quarter of 2017 amounted to €124 million, a 22.0% decrease on the first quarter of 2016, due mainly to reduced volumes recorded in South America.
- Adjusted EBITDA for the first quarter of 2017 amounted to €31 million, equal to 25.0% of revenues, compared to €47 million, equal to 29.6% of revenues in the first quarter of 2016, due to rigs not under contract in South America.

Average utilization of rigs in the first quarter of 2017 was 56.8% (74.6% in the first quarter of 2016). As of March 31, 2017, Company-owned rigs amounted to 96, located as follows: 28 in Saudi Arabia, 26 in Venezuela, 18 in Peru, 4 in Bolivia, 4 in Colombia, 4 in Ecuador, 4 in Kazakhstan, 2 in Kuwait, 2 in Argentina, 1 in Congo, 1 in Italy, 1 in Morocco and 1 in Tunisia. In addition, 1 third-party unit was used in Congo, and 1 in Chile.

Attachments:

- reclassified consolidated balance sheet, reclassified consolidated income statements by nature and function of expenses and reclassified statement of cash flow.

RECLASSIFIED CONSOLIDATED BALANCE SHEET

(€ million)

	December 31, 2016	March 31, 2017
Net tangible assets	5,192	5,124
Intangible assets	<u>755</u>	<u>754</u>
	5,947	5,878
Investments	147	147
Non-current assets	6,094	6,025
Net current assets	447	718
Provision for employee benefits	(206)	(205)
Assets (liabilities) available for sale	-	-
CAPITAL EMPLOYED, NET	<u>6,335</u>	<u>6,538</u>
Shareholder's equity	4,866	4,910
Non-controlling interests	19	23
Net debt	1,450	1,605
FUNDING	<u>6,335</u>	<u>6,538</u>
Leverage (net borrowings/shareholders' equity including minority interest)	0.30	0.33
SHARES ISSUED AND OUTSTANDING	10,109,774,396	10,109,774,396

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY NATURE OF EXPENSES

(€ million)

Q4 2016	Q1	
	2016	2017
2,091 Net sales from operations	2,840	2,263
2 Other income and revenues	-	-
(1,444) Purchases, services and other costs	(2,056)	(1,592)
(412) Payroll and related costs	(470)	(425)
237 GROSS OPERATING RESULT	314	246
(236) Depreciation, amortisation and impairment	(172)	(134)
1 OPERATING RESULT	142	112
(39) Finance expense	(35)	(41)
11 Income from investments	3	1
(27) RESULT BEFORE INCOME TAXES	110	72
(132) Income taxes	(47)	(21)
(159) RESULT BEFORE NON-CONTROLLING INTERESTS	63	51
(3) Net result attributable to non-controlling interests	(2)	(4)
(162) NET RESULT	61	47
74 CASH FLOW (net result + depreciation and amortisation)	233	181

CONSOLIDATED INCOME STATEMENT RECLASSIFIED BY FUNCTION OF EXPENSES

(€ million)

Q4 2016	Q1	
	2016	2017
2,091 Net sales from operations	2,840	2,263
(1,825) Production costs	(2,555)	(2,018)
(88) Idle costs	(58)	(49)
(19) Selling expenses	(29)	(29)
(9) Research and development expenses	(4)	(5)
(97) Other operating income (expenses), net	(4)	(3)
53 CONTRIBUTION FROM OPERATIONS	190	159
(52) General and administrative expenses	(48)	(47)
1 OPERATING RESULT	142	112
(39) Finance expense	(35)	(41)
11 Income from investments	3	1
(27) RESULT BEFORE INCOME TAXES	110	72
(132) Income taxes	(47)	(21)
(159) RESULT BEFORE NON-CONTROLLING INTERESTS	63	51
(3) Net result attributable to non-controlling interests	(2)	(4)
(162) NET RESULT	61	47
74 CASH FLOW (net profit + depreciation and amortisation)	233	181

RECLASSIFIED CASH FLOW STATEMENT

(€ million)

Q4 2016		Q1	
		2016	2017
(162)	Net profit (loss) for the period	61	47
3	Net result attributable to non-controlling interests	2	4
	<i>Adjustments to reconcile cash generated from operating result before changes in working capital:</i>		
308	Depreciation, amortisation and other non-monetary items	118	105
241	Changes in working capital related to operations	(224)	(239)
390	Net cash flow from operations	(43)	(83)
(129)	Capital expenditure	(45)	(83)
-	Investments and purchase of consolidated subsidiaries and businesses	-	
13	Disposals	-	5
274	Free cash flow	(88)	(161)
-	Buy-back of treasury shares/Exercise of stock options	-	-
-	Share capital increase net of expenses	3,436	-
-	Cash flow from capital and reserves	-	-
(51)	Exchange differences on net borrowings and other changes	2	6
223	Change in net borrowings	3,350	(155)
1,673	Net borrowings at beginning of period	5,390	1,450
1,450	Net borrowings at end of period	2,040	1,605

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Società per Azioni
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